

TARIFF ACTION MEMO

Date: March 3, 2022

Date Filed: January 27, 2022

Statutory End Date: March 14, 2022

File No: TA222-5

Name of Utility: Aniak Light & Power Company, Inc. (ALPC)

Subject: Cost of Power Adjustment (COPA), Power Cost Equalization (PCE), and Small Facility Power Purchase Rate (SFPPR) Update

Recommendations

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 31.01, 33.01, and 34.00 filed February 22, 2022, by ALPC in TA222-5, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be March 14, 2022.
2. Require ALPC to file a new COPA filing by April 15, 2022, 45 days after the last day of each month, until the balancing account balance falls below 10 percent of its annual fuel costs.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Heather Jesse
Heather Jesse

Title: Utility Tariff Analyst

Commission decision regarding these recommendations:

	<u>Date (if different from 3/3/22)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Pickett		<u>RMP</u>		
Kurber		<u>KKT</u>		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: March 3, 2022

From: Heather Jesse, Utility Tariff Analyst

Subject: COPA, PCE, and SFPPR Update

Recommendations

1. Approve Tariff Sheet Nos. 31.01, 33.01, and 34.00 filed February 22, 2022, by ALPC in TA222-5, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be March 14, 2022.
2. Require ALPC to file a new COPA filing by April 15, 2022, 45 days after the last day of each month, until the balancing account balance falls below 10 percent of its annual fuel costs.

Background

ALPC's electric load requirement is met exclusively with diesel generation and all fuel costs above \$0.1101 are recovered through ALPC's COPA surcharge.¹

Filing

ALPC submits its quarterly COPA surcharge, SFPPR, and PCE amounts update for the period beginning January 1, 2022. With TA222-5, ALPC filed Tariff Sheets 31.01, 33.01, and 34.00. ALPC filed four supplements to TA222-5, two correcting the balancing account balance,² one correcting the imputed balancing account balance,³ and one revising Tariff Sheet Nos. 31.01, 33.01, and 34.00.⁴

Proposed revisions to COPA surcharges are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period, and support for projections for the future period.⁵

¹ As established in its last rate case, ALPC's base cost of power is set at \$0.1101 per kWh, which accounts for the test year fuel and purchased power costs approved for recovery through ALPC's base energy rates. See Order No. U-97-028(1), issued January 24, 1997. ALPC's COPA surcharge recovers the remaining costs not covered through base energy rates.

² See TR2200581 and TR2200588, filed February 2, 2022.

³ See TR2200656, filed February 9, 2022.

⁴ See TR2200847, filed February 22, 2022.

⁵ 3 AAC 52.504(g), This support includes invoices, records, reports, calculations, contracts, and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

Calculation of the COPA consists of two parts. The first part includes a 3-month estimate of kWh sales and fuel and power costs. ALPC submitted supporting documentation for the estimates for the 3-month period beginning January 1, 2022. The second part includes documentation for the actual balancing account entries for October through December 2021, and the balancing account balance as of December 31, 2021. ALPC provided actual usage, generation, cost, and sales data for the period of October through December 2021, including spreadsheets supporting the balancing account entries.

Notice

In accordance with historic Commission practice, a public notice was not issued for TA222-5.⁶

Analysis/Discussion

COPA Decrease

In TA222-5, ALPC proposes a COPA surcharge of \$0.0351/kWh. This represents a decrease of \$0.2073/kWh from the currently approved COPA surcharge of \$0.2424/kWh. Table 1 shows the effect of the proposed surcharge and PCE level on a sample average residential customer billing for usage of 500 kWh.

TABLE 1

Sample Residential Customer Billing - 500 kWh Usage				
Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	COPA Surcharge (\$/kWh)	\$ 0.2424	\$ 0.0351	\$ (0.2073)
2	PCE Credit (\$/kWh)	\$ 0.4038	\$ 0.1723	\$ (0.2315)
3	500 KWH CUSTOMER BILL			
4	First 250 kWh @ \$0.4995/kWh	\$ 124.88	\$ 124.88	
6	Over 250 kWh @\$0.4532/kWh	\$ 113.30	\$ 113.30	
6	COPA Surcharge	\$ 121.20	\$ 17.55	\$ (103.65)
7	PCE Credit	\$ (201.90)	\$ (86.15)	\$ 115.75
8	RCC	\$ 0.51	\$ 0.51	
9	TOTAL 500 KWH CUSTOMER BILL	<u>\$ 157.98</u>	<u>\$ 170.08</u>	\$ 12.10

Factors that affect the calculation of ALPC's COPA include the previous period's balancing account balance, generation efficiency, and projected diesel fuel costs. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh

⁶ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed decrease to ALPC's COPA is driven primarily by:

- (1) An increase in projected fuel costs. The projected fuel costs increased from \$140,980 to \$143,640.⁷ This is due to an increase in the projected number of gallons purchased, from 53,000 gallons to 54,000 gallons. This increase in costs places upward pressure on the COPA surcharge.
- (2) A decrease in the balancing account balance. The balancing account decreased from \$59,602 to (\$58,863),⁸ indicating that fewer costs were incurred than revenues collected. This decrease in the balancing account balance places downward pressure on the COPA surcharge.
- (3) An increase in the projected kWh sales for the quarter.⁹ The projected kWh sales increased from 569,000 kWh to 584,000 kWh. This increase results in the projected costs being spread over greater kWh,¹⁰ placing downward pressure on the COPA surcharge.

The increase in projected fuel costs places upward pressure on the COPA surcharge; this is offset by the downward pressure from the decrease in the balancing account balance and the increase in projected kWh sales. The overall effect is a decrease in ALPC's COPA.

Staff has reviewed all information and calculations filed in support of the proposed surcharge and verified that ALPC provided all required information. Staff confirmed that the proposed surcharge was calculated accurately using ALPC's approved methodology.¹¹

Balancing Account Exceeds 10% of Annual Fuel Costs

3 AAC 52.504(f) requires that a utility submit a COPA filing within 45 days after the last day of any month in which the absolute value of the cost-of-power balancing account balance exceeds 10 percent of utility's annual fuel and purchased power costs.

With TA222-5, ALPC's balancing account balance is (\$58,863). This is -10.5% of its annual fuel costs, which total \$561,316. As the amount exceeds the 10 percent of ALPC's annual fuel costs, Staff recommends the Commission require ALPC to file a new COPA filing after the last day of each month until the balancing account falls below 10% of the annual fuel costs, beginning April 15, 2022.

⁷ See Side-by-side Tariff Sheet No. 31.01, attached as Appendix-1, at line 1.

⁸ See Side-by-side Tariff Sheet No. 31.01, attached as Appendix-1, at line 2.

⁹ See Side-by-side Tariff Sheet No. 31.01, attached as Appendix-1, at line 4.

¹⁰ The total projected costs include the balancing account balance. See side-by-side ALPC Tariff Sheet No. 31.01, attached as Appendix-1, at line 3.

¹¹ See Tariff Sheet No. 31 of ALPC's current tariff, which discusses ALPC's COPA calculation.

PCE Decrease

Proposed adjustments to PCE amounts are evaluated under 3 AAC 52.600-690. Each participating regulated electric utility is required to submit revised PCE amounts in conjunction with COPA surcharge adjustments.¹² The utility must provide information supporting the request for the PCE amount revision.¹³ Adjustments will be made to the PCE amounts if the utility does not achieve the generation efficiency and/or line loss standards set out in 3 AAC 52.620.¹⁴ If a utility fails to meet the generation efficiency standards (kWh/gallon), Staff will impute the number of gallons that should have been consumed. Because 3 AAC 52.610(f) provides no guidance on the method of imputing the number of gallons that should have been consumed, Staff uses the method prescribed for non-regulated utilities in 3 AAC 52.610(g)(1)(B). If a utility fails to meet the line loss standard of 12 percent, Staff will impute the number of kWh that should have been sold. The resulting imputed sales and/or generation is then used to calculate an adjusted balancing account balance which is used in determining the total fuel power costs used in the calculation of the PCE amount.

Staff notes that ALPC failed to meet the 12% line loss standard in October, November, and December 2021. As such, Staff increased the monthly sales by 16,430 kWh, 28,384 kWh, and 17,219 kWh for each respective month and used the resulting adjusted balancing account balance to calculate the PCE amounts. In this filing, the adjustments caused the balancing account balance to decrease by \$26,978.08. These adjustments to the balancing account balance decreased ALPC's PCE level from \$0.2162/kWh to \$0.1723/kWh. In TA222-5, ALPC proposes a decrease to its PCE from \$0.4038/kWh to \$0.1723/kWh. Staff confirmed that the proposed PCE level was calculated accurately. The calculation of ALPC's PCE is attached as Appendix-2.

SFPPR Decrease

The SFPPR is the rate at which ALPC purchases energy from Qualifying Facilities with a design capacity of 100/kWh or less. The SFPPR, expressed in cents-per-kWh, is calculated as the sum of projected fuel costs, variable operations and maintenance expenses, and the energy portion of purchased power expenses, divided by the number of kWh sold, using the same projected costs and sales in the COPA surcharge methodology.

ALPC proposes an SFPPR of \$0.2460/kWh,¹⁵ a decrease from the currently approved SFPPR of \$0.2478/kWh. Staff confirmed that the proposed SFPPR was calculated accurately, using ALPC's approved methodology.

¹² See 3 AAC 52.640(a)(1) which provides that a utility will request a change in its PCE with the approval of a tariff filing under 3 AAC 52.501 – 3 AAC 52.519, the regulations specific to COPA filings.

¹³ See 3 AAC 52.640(d).

¹⁴ See 3 AAC 52.620, *Generation Efficiency and Line Loss Standards*.

¹⁵ See Side-by-side Tariff Sheet No. 34.00, attached as Appendix-1.

Tariff Sheets

Staff reviewed Tariff Sheet Nos. 31.01, 33.01, and 34.00. Staff notes that on February 22, 2022, ALPC filed a revised Tariff Sheet No. 31.01 to correct line 2, the COPA Balancing Account Balance amount, Tariff Sheet No. 33.01 to correct the PCE rate per kWh, and Tariff Sheet No. 34.00.¹⁶ Staff has verified the proposed surcharge and rates have been calculated accurately using ALPC's approved methodology, the proper support was filed, and the tariff sheets are correct.

Conclusion

With TA222-5, ALPC requests approval of its revised COPA, PCE, and SFPPR for the period beginning March 14, 2022. Based on the discussion above, staff recommends the Commission:

1. Approve Tariff Sheet Nos. 31.01, 33.01, and 34.00 filed February 22, 2022, by ALPC in TA222-5. The effective date of the tariff sheets should be March 14, 2022.
2. Require ALPC to file a new COPA filing by April 15, 2022, and 45 days after the last day of each month, until the balancing account balance falls below 10 percent of its annual fuel costs.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Keith Kurber II (Mar 3, 2022 09:22 AKST)

Email: keith.kurber@alaska.gov

Signature: 

Email: antony.scott@alaska.gov

Signature: 
Daniel Sullivan (Mar 3, 2022 14:51 AKST)

Email: daniel.sullivan@alaska.gov

Signature: 
Janis W. Wilson (Mar 3, 2022 18:34 AKST)

Email: janis.wilson@alaska.gov

¹⁶ See TR220847, filed February 22, 2022.

RECEIVED

OCT 29 2021

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

RCA No. 5 One hundred ninth Sheet No. 31.01
Canceling
One hundred eighth Sheet No. 31.01

ANIAK LIGHT & POWER COMPANY, INC.

COPA Calculation

1. Estimated costs for three months beginning October 2021

Source	Estimated Quantity	Estimated Unit Cost	Total
Diesel Fuel	53,000	2.66	140980.00
Purchased Power			0
TOTAL			140980.00

2. COPA Balancing Account as of 9/30/21 59602.00
3. TOTAL (1 + 2) 200582.00

4. Estimated retail sales for 3 months 569000
5. Projected cost of power (3 / 4) 0.3525 R
6. Base Cost of Power 0.1101
7. COPA amount 0.2424 R

Tariff Advice No. 221-5 Effective: December 15, 2021

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President
Darlene Holmberg



RCA No. 5 One hundred tenth Sheet No. 31.01
Canceling
One hundred ninth Sheet No. 31.01

ANIAK LIGHT & POWER COMPANY, INC.

COPA Calculation

1. Estimated costs for three months beginning January 2022

Source	Estimated Quantity	Estimated Unit Cost	Total
Diesel Fuel	54,000	2.66	143640.00
Purchased Power			0
TOTAL			143640.00

2. COPA Balancing Account as of 12/31/21 -58863.11
3. TOTAL (1 + 2) 84776.89

4. Estimated retail sales for 3 months 584000
5. Projected cost of power (3 / 4) 0.1452 R
6. Base Cost of Power 0.1101
7. COPA amount 0.0351 R

Tariff Advice No. 222-5 Effective: March 15, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President
Darlene Holmberg

RCA No. 5 148th Revision Sheet No. 33.01
 Canceling
147th Revision Sheet No. 33.01

RECEIVED
December 30, 2021

STATE OF ALASKA
 REGULATORY COMMISSION OF ALASKA

Aniak Light & Power Company, Inc

Power Cost Equalization

The following conditions apply to Power Cost Equalization (PCE) eligibility.

1. Residential customers are eligible for PCE for actual consumption of not more than 500 kilowatt-hours per month.

2. Customers that are classified as local community facilities are eligible for PCE, calculated in the aggregate for each community served by **Aniak Light & Power Co., Inc.**, for actual consumption of not more than 70 kilowatt-hours per month for each resident of the community. The number of community residents shall be determined under AS 29.60.020.

3. Customers not listed above are not eligible for PCE.

If appropriations are sufficient for payment in full, the amount of Power Cost Equalization to be credited to the bills of all eligible customers rendered on or after the effective date set forth below, is as follows:

<u>Rate Schedule</u>	<u>Amount</u>
ALL	\$0.4038 /kWh

AS42.05.110(i) provides that when appropriations are insufficient for payment in full, the amount paid to each utility is reduced on a pro rata basis. The Division of Energy, Department of Community and Economic Development has notified the Commission that funding is sufficient to cover the fiscal year 2022 (FY22) PCE Program requirements and that the shortfall will require a 0% reduction in the PCE levels effective with the 1st (11) billing period. Beginning with that billing period, the amount of PCE to be credited to the bills of all eligible customers is as shown below.

<u>Rate Schedule</u>	<u>Amount</u>
ALL	\$0.4038 /kWh

Pursuant to U-21-019(6) Effective January 1, 2022

Issued By: Aniak Light & Power Company, Inc

By: Darlene Holmberg Title: President

RCA No. 5 One hundred forty-eighth Revision
 Canceling
One hundred forty-seventh Revision

Sheet No. 33.01

Sheet No. 33.01



ANIAK LIGHT & POWER COMPANY, INC.

POWER COST EQUALIZATION

The following conditions apply to Power Cost Equalization (PCE) eligibility.

1. Residential customers are eligible for PCE for actual consumption of not more than 500 KWH per month.
2. Customers that are classified as local community facilities are eligible for PCE, calculated in the aggregate for each community served by **Aniak Light & Power Co., Inc.**, for actual consumption of not more than 70 KWH per month for each resident of the community. The number of community residents shall be determined under AS 29.60.020.
3. Customers not listed above are not eligible for PCE.

If appropriations are sufficient for payment in full, the amount of Power Cost Equalization to be credited to the bills of all eligible customers rendered on or after the effective date set forth below is as follows:

<u>Rate Schedule</u>	<u>Amount</u>
All	<u>0.1723</u> /KWH @

AS42.05.110(i) provides that when appropriations are insufficient for payment in full, the amount paid to each utility is reduced on a pro rata basis. The Division of Energy, Department of Community and Economic Development has notified the Commission that funding is sufficient to cover the fiscal year 2020 (FY20) PCE Program requirements and that the shortfall will require a 0% reduction in the PCE levels effective with the 1st billing period. Beginning with that billing period, the amount of PCE to be credited to the bills of all eligible customers is as shown below:

<u>Rate Schedule</u>	<u>Amount</u>
All	<u>0.1723</u> /KWH @

Tariff Advice No. 222-5 Effective: March 15, 2022
 March 14, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg
 Darlene Holmberg

Title: President

RCA No. 5 Twenty-third Revision Sheet No. 34.00
 Canceling
 Twenty-second Revision Sheet No. 34.00

RECEIVED
OCT 29 2021

STATE OF ALASKA
 REGULATORY COMMISSION OF ALASKA

ANIAK LIGHT & POWER COMPANY, INC.

Small Facility Power Purchase Rate (SFPPR)

The rate at which the Utility will purchase power from qualifying facilities with a nameplate capacity of 100 kW or less.

The SFPPR, expressed in cents-per-kilowatt-hour is determined from the sum of fuel and variable operation and maintenance expenses and the energy portion of purchased-power expense for the same period used by the utility to project costs and sales in its COPA, updated by subsequent fuel costs, and divided by the number of kilowatt-hours sold for the same time period.

The SFPPR for the current period is:

A	Fuel Consumption (Gallons)	53,000	
B	Current Fuel Cost	\$ 2,6600	
C	Fuel Expense (AxB)	\$ 140,980.00	
D	Variable O&M Expense	\$0.00	
E	Energy Portion of Purchased Power Expense	\$0.00	
F	(C+D+E)	\$ 140,980.00	
G	kWh Sold	569,000 /kWh	
H	(F/G)	\$ 0.2478 /kWh	R

The SFPPR will be updated with the COPA

Tariff Advice No. 221-5 Effective: December 15, 2021

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President
 Darlene Holmberg

RCA No. 5 Twenty-fourth Revision Sheet No. 34.00
 Canceling
 Twenty-third Revision Sheet No. 34.00



ANIAK LIGHT & POWER COMPANY, INC.

Small Facility Power Purchase Rate (SFPPR)

The rate at which the Utility will purchase power from qualifying facilities with a nameplate capacity of 100 kW or less.

The SFPPR, expressed in cents-per-kilowatt-hour is determined from the sum of fuel and variable operation and maintenance expenses and the energy portion of purchased-power expense for the same period used by the utility to project costs and sales in its COPA, updated by subsequent fuel costs, and divided by the number of kilowatt-hours sold for the same time period.

The SFPPR for the current period is:

A	Fuel Consumption (Gallons)	54,000	
B	Current Fuel Cost	\$ 2,6600	
C	Fuel Expense (AxB)	\$ 143,640.00	
D	Variable O&M Expense	\$0.00	
E	Energy Portion of Purchased Power Expense	\$0.00	
F	(C+D+E)	\$ 143,640.00	
G	kWh Sold	584,000 /kWh	
H	(F/G)	\$ 0.2460 /kWh	R

The SFPPR will be updated with the COPA

Tariff Advice No. 222-5 Effective: ~~March 15, 2022~~
 March 14, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President
 Darlene Holmberg

Aniak Light & Power Company
POWER COST EQUALIZATION
TA222-5

Calculation of Power Cost Equalization			Amendment to Allowable Costs		
Line	Description	Prior Commission Determination (\$/kWh)	Updated Commission Determination (\$/kWh)	Line	Description Amount
A	Non-Fuel Power Costs	0.2827	0.2827	1	NON-FUEL COSTS-TA81-5/U-97-028
B	Fuel Power Costs	0.3426	0.0990	2	Allowable Non-Fuel Cost \$ 566,821
C	Total Power Costs	0.6253	0.3817	3	Twelve Month Total kWh Sales 2,012,576
				4	Regulatory Cost Charge \$ 0.001016
D	Total Costs Less \$0.2003/kWh	0.4250	0.1814	5	Total Non-Fuel Power Costs 0.2827
E	95% of Total Power Costs	0.4038	0.1723	6	FUEL COSTS
F	Statutory Maximum [(1-0.2003)*0.95]	0.7597	0.7597	7	Current Fuel Price \$ 2.6600
G	Lesser of E or F	0.4038	0.1723	8	Estimated Fuel Consumption (gallons) 54,000
H	Customer Class Rate			9	Estimated kWh Sales (kWh) 584,000
	Residential	0.5096	0.2660	10	Balancing Account Balance (\$85,841)
	Commercial First 250	0.4864	0.2428	11	Total Fuel Power Costs 0.0990
	Commercial Over 250	0.4864	0.2428		
I	Power Cost Equalization - Lesser of G or H				Surcharge Calculation
	Residential	0.4038	0.1723	Line	Description Amount
	Commercial First 250	0.4038	0.1723	1	Total Estimated Fuel Power Costs 143,640
	Commercial Over 250	0.4038	0.1723	2	Balancing Account Balance (85,841)
J	Power Cost Equalization - After Reduction	100%	100%	3	Total 57,799
	ALL	0.4038	0.1723	4	Estimated Retail Sales 584,000
				5	Projected Cost of Power 0.0990
				6	Base Cost of Power 0.1101
				7	Surcharge \$ (0.0111)

Calculation of Average Customer Class Rate per kWh									
Line	kWh (by Block)	Rate (\$/kWh)	Customer Charge	COPA Surcharge (\$/kWh)	RCC (\$/kWh)	Total Rate (\$/kWh)	Total (\$)	Average Rate (\$/kWh)	Average Rate Less \$0.2003/kWh (\$/kWh)
1	Residential								
2	Residential First 250	0.4995	-	(0.0111)	0.001016	0.4894	122.35		
3	Residential Next 250	0.4532	-	(0.0111)	0.001016	0.4431	110.78		
4	Residential Total						233.13	0.4663	0.2660
5	Commercial First 250	0.4532	-	(0.0111)	0.001016	0.4431	110.78	0.4431	0.2428
6	Commercial Over 250	0.4532	-	(0.0111)	0.001016	0.4431	110.78	0.4431	0.2428